TOURISM IN CANADA

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INTRODUCTION

Tourism is the world's largest industry. It generates $2.4 trillion (U.S.) in annual revenues and employs 1 in 15 members of the global workforce.[1] The tourist trade has become an increasingly important component of the Canadian economy as well. Tourism is Canada's second largest industry, generating $25 billion *per annum* in revenues and $11 billion in taxes. It is Canada's third largest generator of foreign currency (after automobiles and auto parts)[2] and employs approximately 650,000 workers.[3] Despite its significance in the Canadian economy, tourism has had a low public profile. Recently, however, the impact of the recession, major public policy decisions, and increasing foreign competition have led the industry to pursue its interests in the public sphere in a more aggressive manner.

In the view of some tourism spokespeople, Canadian governments have been an impediment to the economic viability of their industry.[4] All levels of government have been criticized for maintaining policies that tourism operators perceive as being detrimental to their businesses.

The Canadian tourism industry is finding it increasingly difficult to sell its product both to foreign and to domestic consumers. Tourism operators have been especially troubled by the heavy flow of Canadian consumer dollars to American destinations. It appears essential to many commentators that governments and the tourism industry develop a common strategy to improve the competitiveness of the Canadian tourism sector.

GENERAL TRENDS

Canadian travellers comprise approximately 70% of the national tourist trade[5] and make-up more than 80% of tourism activity in Ontario.[6] Domestic travel is the most important element of the Canadian tourism industry. However, in the opinion of some observers, the significance of domestic travel has been ignored by federal marketing strategies that focus mainly on attracting foreign visitors.[7] A recent

decline in Canadian domestic travel may pose the single greatest threat to the industry.

Reasons for the overall downturn in tourism are numerous, but the most common complaints voiced by operators have been related to high taxes and the level of the Canadian dollar.[8] The combination of provincial sales taxes and the federal Goods and Services Tax (GST) has been cited repeatedly as a serious impediment to its ability to compete for tourist dollars. As Tourism Ontario Incorporated argued in 1990:

> The taxation policies of the federal government, Queen's Park and municipalities throughout our province are inflationary, have exacerbated domestic and foreign consumer resistance to our industry's products and services, and have added to their lack of confidence in our economy generally . . . . Ottawa has artificially inflated the value of the Canadian dollar at the expense of jobs and exports in our industry and many others.[9]

The Ontario Hoteliers Association indicated in August 1991 that its members were sending government 47% of their revenues in 25 different types of taxes or payments.[10]

In the wake of the GST, free trade, and a major recession, the Canadian tourism industry has had a difficult time selling its product to its own domestic consumers. A wide array of discounts and deals on tourism activities has had little success in altering a perception among many Canadians that domestic travel is too expensive.[11] Canadians have been voting with both their feet and their wallets: not only did domestic tourism drop by 7% in 1991, but cross-border travel increased dramatically as well. Between January and June 1991, Canadian one-day automobile trips to the U.S. increased by 22.1%; in Ontario, the number of car trips across the border during this period grew by 26.3%.[12] Canada's international travel account recorded extremely high deficits in 1991[13] and registered its largest-ever deficit in the first quarter of 1992:[14] first quarter spending by Canadian travellers in the U.S. was $2.5 billion higher than spending by Americans visiting Canada.[15]

ONTARIO

Tourism in Ontario is a $16 billion industry[22] employing the equivalent of 160,000 full-time workers.[23] The double impact of the GST and the recession appears to have hit Ontario and the rest of central Canada especially hard. Ontario and Quebec experienced 10 to 15% declines in tourism sales in 1991; British Columbia and Alberta held steady; and Atlantic Canada dropped 3 to 5% from its 1990 totals.[24] The Canadian Tourism Research Institute has indicated that pleasure travel in Ontario declined by 7% in 1991,[25] while trips by Canadians to foreign destinations increased by 24%.[26] The number of foreign visitors to Metropolitan Toronto dropped to 14.9 million in 1991 from 17.2 million in 1989, and visitor spending has declined by $702.3 million since 1989.[27] According to Motels Ontario, Ontario border towns including Kingston, Niagara Falls and Sault Ste. Marie, experienced a drop of approximately 20% in hotel/motel occupancy rates over the summer of 1991. Private campgrounds, northern resort camps, hotels (particularly in the Toronto area), business travel,[28] and convention activities in the province appear to have been especially hard hit.[29]

The only significant positive notes for Ontario's tourism industry in 1991 were increases in provincial park attendance,[30] a successful promotional campaign in Thunder Bay,[31] a flourishing convention trade in Hamilton[32] and some other "mini-holiday" activities (e.g., Canada's Wonderland, Ontario Place). The general trend in tourism appears to be in favour of short low-cost trips. Demographic factors are also having a significant influence on the tourist trade, with many baby boomers looking for affordable, family-oriented vacations.[33]

Preliminary 1992 reports concerning the economic health of Ontario's tourism industry have not been very promising. During the first seven months of 1992 there were 50% more bankruptcies in the industry than there were during the same period in 1991. Overall, industry employment fell by 3.6% in the first half of 1992 while employment in the province's hotels and motels in June, for example, was down 16.5%. The combination of a serious recession and cool wet weather has been the

The cross-border shopping phenomenon has contributed to the growing exodus of Canadian travel dollars and has been a serious problem for border tourist areas. In a recent federal study, a survey group of Canadians claimed that prices were 40% higher in Canada than in the U.S.[16] Canadians in general are also far more negative about travel in Canada than any other foreign group.[17] Domestic day-trips by Canadians within their borders (56 million in 1990) are close to being outpaced by day trips to the U.S. (53 million in 1990). Cross-border trips by Ontario residents to the United States increased by 13.6% in 1991.[18] Recent statistics comparing cross-border travel by residents of Canada in January and February 1992 with data from the same period in 1991, indicate that automobile day-trips to the U.S. increased by 10.2% and total travel rose by 10.5%.[19] The impact of a strong Canadian dollar, cheaper U.S. gasoline and aggressive American retailing are only a few of the reasons commonly listed for the Canadian exodus.[20]

Not all economic indicators related to the Canadian tourism industry have been negative. When 1992 first quarter travel figures are adjusted to account for seasonal spending variations, the following trends have been identified:

- Canadian spending in the U.S. is declining;
- With the exception of American tourists, spending by foreign visitors in Canada has increased.

The recent decline in the Canadian dollar has also helped reduce the flow of cross-border shoppers to the U.S. Statistics Canada figures for November 1992 indicate that same-day automobile visits to the U.S. through Ontario border points (often viewed as a strong indicator of cross-border shopping) declined by 14.9% from 1991 figures, and total Canadian day-trips fell by 19.8% to 4 million. According to Catherine Swift, Chief Economist for the Canadian Federation of Independent Business, "It's good to see a drop, but 4 million trips is not chopped liver. It's still horrific and much higher than it should be . . . Let's not pretend happy days are here. Ontario has the worst volume problem with cross-border shopping and continues to [have this problem]."[21]

primary culprit cited for the tourism industry's weak 1992 performance. In July, many tourism operators across the province reported significant declines in occupancy rates, business sales, and attendance at amusement sites. For example:

- occupancy rates in Ontario's motels and hotels were reported as being down as much as 60%;
- Amy Bignucolo, President of the Niagara Falls Tourist and Convention Bureau, indicated that business dropped by 8 to 10% from dismal 1991 figures and had dropped 10% per year on average since 1989;
- Ontario Place spokesman Dorothy Fletcher indicated that attendance was down by 20%, while Centreville Amusement Parks on the Toronto Islands reported a decline in attendance of approximately 30%;
- camping and day use in Ontario's 110 provincially operated parks was down by approximately 30%;[34]
- approximately 25 to 40% of cottages and resorts were vacant according to Robert Merkel, vice-president of Northern Ontario Outfitters Association;[35]
- the number of tourists visiting Upper Canada Village in Morrisburg was down by 28%. Kingston's Old Fort Henry also reported a 15% decline in attendance;[36] and
- the Algoma district's premier tourist attraction, the Agawa Canyon Tour Train, carried 16% fewer passengers in June 1992 than it did in June 1991. The total number of train passengers to the end of June was 7,388. This figure was 9% below 1991 levels.[37]

Provincial tourism operators have been forced to compete for a shrinking share of domestic tourism revenues. Ontario's share of its residents' tourist dollar has shrunk from 75% in 1981, to 67% in 1991.[38]

FOREIGN TOURISTS IN CANADA

American tourists represent the bulk (approximately 80%) of the foreign travel market in Canada.[39] Many factors are influencing the flow of Americans to Canadian destinations:

- the U.S. has also been experiencing a recession. The economic decline in many border states has reduced the potential number of American travellers to Canada;

- the American population base is shifting from the northern rust belt states to the south, shrinking the potential market close to Canada;

- airline deregulation has made travel in the U.S. and to other non-Canadian destinations cheaper;

- U.S. states have launched aggressive advertising campaigns to keep American tourist dollars at home;[40]

- the GST has confused and angered many American travellers and convention organizers. The GST rebate program has been criticized as being a major inconvenience for U.S. tourists;[41]

- Canadian prices for gasoline and alcohol have been cited as factors reducing Canada's ability to attract U.S. visitors.[42]

On a more optimistic note, Americans are somewhat more enthusiastic about travel in Canada than are their Canadian counterparts. A recent study has indicated that the cost of travel in Canada deters Americans less than it does Canadians. Americans tend to rate cost fourth on their list of travel concerns, behind their desire for beautiful scenery, quality accommodations and different cultural experiences.[43]

The British, Japanese, Germans and French respectively, follow the Americans in order of nationalities with the largest number of visitors to Canada. Japanese tourism has been a strong area of growth in Canada. During 1991, Japanese tourists spent more money in Canada than the British, despite having 125,000 fewer travellers. Growth in the Canadian share of the Japanese market has recently declined due to increasing competition from the U.S. and Australia.[44]

THE FUTURE

In the opinion of McGill University Professor, Simon Milne, Canada is only a minor player in the world tourist trade and is lagging behind its competitors in tourism related technological developments. In order for Canada to maintain a successful

tourism industry in the future, Milne believes, the industry must adjust to the following trends:

- shifting demographics are creating an aging population with a large travel budget, while dual-income families are fuelling a major weekend getaway market;
- women and mature singles (versus "swinging singles") are taking a larger share of global business travel and have special needs that should be accommodated;
- consumer tastes are tending to favour quality activity-based holidays instead of mass package deals;
- the travel habits of minority groups have not been investigated but could have a significant impact on the industry;
- the appeal of "green" educational holidays has been growing;
- major hotel chains and airlines are threatening smaller operators by moving into the specialty travel market;
- open skies regulatory changes will favour large American airlines;
- technology will become the driving force behind the tourism industry. For example, an existing central reservation system controls 90% of international hotel reservations. Smaller enterprises will need access to this type of system to survive.[45]

The challenges facing the Canadian tourism industry appear to be receiving greater recognition from both private and public stakeholders, and a variety of new approaches have been developed to respond to growing international competition.

Private Sector Responses

In January 1992, twenty-two of Canada's largest tourism companies joined forces under the Experience Canada marketing plan in an effort to help save Canada's troubled tourism industry. In the words of Michael Beckley, Experience Canada chairman, "If someone doesn't do something about the decline, the ramifications will be felt in terms of businesses and jobs lost." Beckley claims that Canadian airlines have been operating at 60% capacity and that approximately one-third of the nation's

hotel rooms are empty every night. The companies participating in the Experience Canada partnership agreed to provide $50 to $100 million in tourism discounts in 1992.[46] Tourism operators appear to have stepped up their efforts to persuade all levels of Canadian government to reduce the tax burden that has been placed on the industry and to increase their tourism advertising budgets.[47]

Public Sector Responses

A wide variety of federal and provincial actions have been undertaken to rejuvenate the Canadian tourism industry. The Canadian federal government has recently announced tourism-related funding increases of $46 million over the next four years.[48] It has attempted to streamline its GST rebate system,[49] opened special border lanes at customs posts,[50] and signed a $22 million marketing agreement with Air Canada to help increase the number of foreign tourists visiting Canada.[51] The federal government has chosen to continue its $12.1 million U.S. advertising campaign entitled "Canada -- The World Next Door" and has added a toll-free 1-800 information phone number to its television and magazine advertisements.[52]

The Province of Ontario has launched a $2 million program supporting local events[53] and has offered the tourism industry a financial assistance program valued at over $50 million.[54] It also initiated a television advertising campaign in 1992 and introduced a Central Reservation and Information System that permits consumers to make direct bookings through the province's 1-800-ONTARIO tourist line.[55] Peter North, then Ontario Minister of Tourism and Recreation, stated that the government's $1.1 billion job training fund will be crucial in helping the labour intensive tourism industry maintain its competitive edge through quality customer service.[56] In North's opinion, a strong cooperative common front or partnership is the only hope for the survival of Ontario's ailing tourism industry.[57]

Federal and provincial governments have begun to join forces in promoting various Canadian tourism projects. For example, a $15 million federal-provincial funding program for tourism was announced in November 1991 to assist the industry in

Northern Ontario.[58] In early January 1992, the federal and Quebec governments also renewed a $100 million five-year deal to support Quebec's troubled tourism sector.[59]

QUESTIONS OF INTEREST

The future of tourism is obviously of great importance to Canada's national and provincial economies. Industry representatives and other commentators have pointed to the need for change within the industry and in public policy. Among the complex questions that could be addressed are:

1. What degree of emphasis should be placed on domestic versus foreign tourism?

2. How should government and business sell Canada both to Canadians and to foreign travellers? What strategies are needed to motivate travellers to spend their money in Canada?

3. Can the Canadian tax system be made more "user-friendly" for tourists and the tourism industry?

4. Are there ways in which Canadian tourism could become more competitive with foreign countries in regard to price, service, value/quality and facilities?

5. What innovations are necessary to adjust to demographic shifts (e.g., aging population) and other consumer needs (e.g., short trips)?

6. Is a long-term vision for the future of tourism in Canada needed or even possible? What type of tourism industry is desirable and how much support should it receive from government?

7. To what degree are problems in the Canadian tourism industry related to price competitiveness and to what extent are they simply a lack of creativity in marketing strategies and product design?

On an optimistic note, many industry analysts view the current downturn in the tourism sector as a temporary setback that will be offset by major long-term growth.[60]

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